

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 IGA-02 AGRE-00 AID-05 COME-00 EB-08
FRB-03 TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01
OMB-01 IO-13 /099 W
-----011411 230504Z /16

R 230221Z AUG 77
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 5395
INFO AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: PDIP, TH, JA
SUBJ: FUKUDA'S ECONOMIC PACKAGE FOR THAILAND

REF: BANGKOK 18198

SUMMARY: FUKUDA COMMITS JAPAN TO PROVIDE UP TO US\$100 MILLION IN YEN CREDITS AT VERY FAVORABLE TERMS BUT RESISTS LIBERALIZING JAPAN'S TRADE RESTRICTIONS TO ALLOW FOR MORE THAI AGRICULTURAL IMPORTS WHICH WOULD COMPETE WITH DOMESTIC JAPANESE PRODUCTS. AS A FURTHER CONCESSION, JAPANESE MAY ANNOUNCE ANOTHER 20-30 MILLION DOLLARS IN YEN CREDITS WHEN THANIN VISITS TOKYO SEPTEMBER 7-11. END SUMMARY.

1. THE THAIS, LINED UP AT THE AIRPORT ON AUGUST 14 FOR FUKUDA'S ARRIVAL WITH THEIR EXPECTATIONS FOR JAPANESE FAVORS HIGH, WERE

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ONLY PARTLY SATISFIED WHEN HE DEPARTED THREE DAYS LATER. DESPITE PRESSURE TO INCREASE AGRICULTURAL AND INDUSTRIAL IMPORTS FROM THAILAND IN ORDER TO REDUCE THE GROWING TRADE IMBALANCE, FUKUDA MADE NO SPECIFIC PROMISES IN THIS AREA. INSTEAD, HE AFFIRMED AN AID AND CREDITS PACKAGE WHICH HAD BEEN UNDER NEGOTIATION FOR SOME TIME.

2. ACCORDING TO THE JAPANESE COMMERCIAL ATTACHE, THE RTG PUSHED HARD FOR THE LIBERALIZATION OF JAPAN'S TRADE RESTRICTIONS WHICH LIMIT THE TYPES AND AMOUNTS OF AGRICULTURAL IMPORTS FROM THAILAND. FUKUDA COUNTERED BY SAYING THAT JAPAN HAD TO PROTECT ITS OWN FARMERS BUT "JAPAN WOULD DO WHAT IT COULD TO BUY MORE." PRIME MINISTER THANIN REPORTEDLY EVEN ASKED THAT JAPAN INCREASE ITS IMPORTS OF THAI MANUFACTURED PRODUCTS SUCH AS TEXTILES, AUTOMOBILE PARTS AND WATCHES, WHOSE PRODUCTION COSTS MAKE THEM TOO EXPENSIVE FOR THE JAPANESE MARKET.

3. THE OFFICIAL COMMUNIQUE OF AUGUST 17 LISTS FOUR SPECIFIC MEASURES TAKEN IN CONNECTION WITH FUKUDA'S VISIT. THE FIRST PROMISED US\$100 MILLION IN CREDITS FOR THE RTG'S FOURTH FIVE YEAR PLAN (1976-1981). ALTHOUGH THERE HAD BEEN PRIOR DISCUSSION OF THIS LOAN WITH THE RTG, THE USUAL PRACTICE OF DETERMINING THE COSTS OF THE VARIOUS INDIVIDUAL PROJECTS BEFORE COMPILING A TOTAL AMOUNT WAS DISPENSED WITH BECAUSE OF THE VISIT. INSTEAD, THE ROUND FIGURE OF US\$100 MILLION WAS PROMISED AT GENEROUS TERMS (3 TO 31/2 PERCENT FOR 20-25 YEARS WITH SEVEN YEARS GRACE). ACCORDING TO THE JAPANESE EMBOFF, SUCH GENEROUS TERMS WERE THE RESULT OF OECD PRESSURE FOR JAPAN TO INCREASE ITS "GRANT RATIO" WHEN PROVIDING CREDITS TO LDCS. THESE "UNTIED" (BUT WITH PAYMENT TO BE MADE IN YEN) LOANS WILL BE USED FOR VARIOUS MAJOR PROJECTS IN THE COMMUNICATIONS, TRANSPORTATIONS AND OTHER GOVERNMENT INFRASTRUCTURE AREAS.

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4. THE OTHER THREE MEASURES ANNOUNCED HAVE BEEN UNDER DISCUSSION WITH THE RTG FOR SOME TIME. THEY ARE A GRANT FOR UP TO US\$3.84 MILLION FOR THE INSTITUTE FOR SKILL DEVELOPMENT IN THE NORTHEAST, A GRANT FOR UP TO US\$3.32 MILLION TO HELP INCREASE FOOD PRODUCTION IN THAILAND AND THE EXTENSION, ON A CONTINUING BASIS, OF VARIOUS TYPES OF TECHNICAL COOPERATION. THE PROGRAM TO HELP THAILAND INCREASE ITS FOOD PRODUCTION BY PROVIDING EXPERTS, MACHINERY, ETC, HAS AS A COROLLARY A PROVISION REQUIRING THE JAPANESE TO PURCHASE SURPLUS RICE AND GIVE IT AS GRANT AID TO GRAIN DEFICIENT COUNTRIES SUCH AS INDONESIA.

5. THE RTG REQUESTED THAT JAPAN CONSIDER INCREASING THE AMOUNT OF YEN CREDITS AVAILABLE TO THAILAND FOR ITS FOURTH FIVE YEAR PLAN BY AN ADDITIONAL US\$100 MILLION. FURTHER DISCUSSIONS ON THIS SUBJECT WILL BE HELD DURING THANIN'S VISIT TO TOKYO SEPTEMBER 7-11. THE JAPANESE EMBOFF SAID IT IS LIKELY THE GOVERNMENT WILL AGREE TO PROVIDE 20-30 MILLION DOLLARS MORE IN YEN CREDITS AT THAT TIME TO OFFSET RTG PRESSURE TO LIBERALIZE TRADE RESTRICTIONS.

6. COMMENT: BANGKOK WAS THE PENULTIMATE STOP FOR THE 72

YEAR OLD FUKUDA ON HIS ROUND OF BILATERAL DISCUSSIONS WITH THE ASEAN COUNTRIES AND BURMA. ALTHOUGH HE HIMSELF HELD UP WELL, MANY IN HIS ENTOURAGE WERE TIRING AND THE ACCOMPANYING NEWS REPORTERS, SOMEWHAT BORED WITH THE LACK OF HOT NEWS, SPENT MUCH OF THEIR TIME AT THE BARS ON PATPONG ROAD. THE JAPANESE WERE DISAPPOINTED AT THANIN'S OBVIOUS LACK OF EXPERTISE IN THE TRADE/ECONOMICS AREA. PERHAPS HE WAS NOT BRIEFED SUFFICIENTLY WELL BEFOREHAND. THE ECONOMIC LARGESSE OFFERED BY THE JAPANESE WAS ACCEPTED IN GOOD GRADE BY THE THAIS WHO ARE HOPING FOR MORE WHEN THEY VISIT JAPAN NEXT MONTH.
O'DONOHUE

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